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ATTORNEYS FOR QUESTAR GAS COMPANY
SUBMITTED: JUNE , 2002

– BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH –

IN THE MATTER OF) **Docket No. 01-057-14**
THE APPLICATION OF QUESTAR GAS)
TO ADJUST RATES FOR NATURAL GAS SERVICE IN UTAH)
)

STIPULATION AND SETTLEMENT

Pursuant to Utah Administrative Code § R746-100-10.F.4 and -10.F.5 and Utah Code Ann. §§ 54-4-1 (2000) and 54-4-4 (2000), Questar Gas Company (“Questar Gas” or “the Company”), the Division of Public Utilities (“Division”) and the Committee of Consumer Services (“Committee”), submit this Stipulation and Settlement in resolution and settlement of certain issues in the above-entitled docket. Questar Gas, the Division and the Committee are collectively referred to as the “Parties.”

PROCEDURAL HISTORY

1. On December 14, 2001, Questar Gas submitted its semi-annual Pass-through Application, reflecting revisions to its commodity and supplier non-gas (SNG) portions of its rates in this docket.
2. On December 31, 2001, Commission issued an interim order in this Docket No. 01-057-14. This interim order,

effective January 1, 2002, placed into effect on an interim basis all aspects of the Company's Pass-through Application, including 1) recovery of CO₂ processing costs as requested, 2) an adjustment allowing for reporting of 191 Account revenues net of bad-debt expense and 3) dollar-for-dollar decreases in commodity and supplier non-gas costs experienced in the test year as outlined in the application.

3. Since the filing of the application, the Parties have conducted various discovery and settlement conferences to delineate and resolve issues outstanding. This Stipulation and Settlement resolves all the outstanding issues in the case except for the request of Questar Gas to recover a portion of its CO₂ processing costs related to a prior period.

BAD-DEBT EXPENSE ADJUSTMENT

4. In this pass-through application, the Company requested that, on a prospective basis, revenues related to the 191 Account should be reported net of an allowance for bad debts. To accomplish this, the distribution non-gas (DNG) portion of all Utah sales rate schedules was decreased by \$0.01415 per decatherm (Dth), while the SNG and commodity portions of rates were increased by \$0.00360 and by \$0.01055, respectively. The immediate impact to customers is a net change of zero in rates. This change in rate design results in the total rate in each schedule, and for each block, to remain the same.

5. The Company will comply with the principles set forth in paragraphs 6 through 9 in calculating and recording the allowance for bad debts related to commodity, SNG and DNG revenues.

6. Generally Accepted Accounting Principles (GAAP) requires that an offset to revenues be recorded on the Company's books and records to reflect that portion of revenues that the Company will ultimately not receive for services rendered. This revenue offset is recorded as an Allowance for Bad Debts with a corresponding entry to Bad Debt Expense. The methodology used by the Company to calculate the allowance, as well as the total allowance recorded on the Company's books and records is audited by the Company's independent outside auditors as part of their examination of the Company's books and records. The Allowance for Bad Debts is adjusted at the end of each fiscal year in accordance with GAAP to reflect the actual bad debts experienced during the fiscal year.

7. The Parties agree that the Company's methodology for calculating the Allowance for Bad Debts shall remain

unchanged. The resulting Bad-Debt Expense shall be apportioned among DNG, SNG and commodity revenues, based on the weighted average of total revenues billed in each of these categories each month. The corresponding Bad-Debt Expense for commodity and SNG revenues shall be included as an offset to revenues in the 191 Account. The corresponding bad debt for DNG revenues shall continue to be recorded as Bad-Debt Expense on the Company's books and records and included in costs when determining general rates.

8. The Parties agree that any subsequent write-offs or collections that occur during the fiscal year shall continue to be recorded in the Allowance for Bad Debts account with the exception that any write-offs or collections relating solely to DNG revenues shall be recorded in a separate sub-account. At the end of each fiscal year the corresponding Bad-Debt Expense for DNG, SNG, and commodity revenues shall be trued-up for any adjustments made to the Company's recorded Allowance for Bad Debts based on GAAP, which in turn are reviewed during the independent outside auditor's examination. Any adjustments shall be apportioned among each of these categories based on the weighted average of total revenues recorded in each category during the fiscal year.

9. The Parties agree and stipulate that matching the gas-cost portion of bad debts with the Company's revenues reported in the 191 Account is a proper accounting and ratemaking methodology. In that connection, the Parties stipulate that the adjustment described in paragraph 4 of this Stipulation and Settlement, reflecting the Commission's December 31, 2001, Interim Order, be continued on a permanent basis, subject to prospective adjustments for the gas-cost-related adjustments to the Allowance for Bad Debts.

191 ACCOUNT CLARIFICATIONS

10. The Parties stipulate that the Company's Tariff PSCU 300 should be clarified to more accurately reflect the costs that are and should be included in the Company's 191 Account. In this regard, Stipulation Exhibit No. 1 reflects proposed changes to Section 2.12 of the tariff in legislative format to reflect revised definitions for the Cost of Gas and Gas Revenues, a commodity-cost rate determination, an affiliate expense standard, 191 Account entries, audit procedures and consideration disclosure.

11. Proposed Section 2.12 of tariff PSCU 300 reflects specific definitions for the cost of gas and gas revenues. The

cost of gas is to include a specific enumeration of itemized FERC accounts as set forth in the exhibit and to be reflected in the tariff, additional gas-cost expenses specifically addressed in prior Commission orders, exclusions of normally allowable gas costs that are instead recoverable in general rates, and an itemization of other revenues that are to be deducted from gas costs. A definition for “gas revenues” is also included in the proposed tariff changes. The Parties agree that the tariff revisions as proposed under the heading “Balancing Account Accrual” are just and reasonable and should be adopted by the Commission.

12. The Parties agree and stipulate that added language in Section 2.12 entitled “Affiliate Expense Standard” should be adopted as just and reasonable. The standard states that affiliate expenses should only be included in the 191 account if they are either 1) cost-of-service based or 2) competitive with the market for similar services at the time the contract for the services was entered into. The Parties agree to this record-keeping standard, recognizing that some gas commodity purchases are entered into without written contracts or memorandum.

13. The Parties agree that added language in Section 2.12, entitled “191 Account Entries,” should be adopted as just and reasonable. This tariff revision requires the Company to provide 60 days’ notice before adding new FERC accounts in the balancing account as well as proposing certain other changes to revise costs or expenses recovered in the 191 Account.

14. The Parties agree and stipulate that items recorded in the 191 Account should be subject to regulatory audit and that adjustments may be proposed on a retroactive basis for items not in compliance with 191 Account standards and procedures, prior Commission orders, or which were otherwise imprudently incurred. Any such adjustment shall be designated no later than one year after (1) the end of the fiscal year being audited, or (2) for Wexpro-related adjustments, the date of completion of the third party monitor’s audit.

15. The Parties agree that the Company shall disclose any consideration received by the Company or an affiliate not explicitly stated in any gas supply, transportation, gathering or storage contract when the contracts costs are included in a pass-through application. Section 2.12 is revised to include the paragraph entitled “Consideration Disclosure” which the Parties agree is just and reasonable.

16. The Parties agree that the revised language of Section 2.12 of the Company's Utah Natural Gas Tariff PSCU 300 as delineated in legislative format and attached as Stipulation Exhibit 1 and in final format as attached Stipulation Exhibit 2 is just and reasonable and should be adopted by the Commission.

17. All negotiations related to the Stipulation are privileged and no parties shall be bound by any position asserted in negotiations. Neither the execution of this Stipulation nor an order adopting the Stipulation shall be deemed to constitute an acknowledgment by any party of the validity or invalidity of any principal or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any parties; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any party to this Stipulation. The Parties believe the settlement of these issues through this Stipulation is in the public interest and that the rates, terms and conditions its provides for are just and reasonable.

18. Questar Gas Company, the Division and the Committee will present testimony of one or more witnesses to explain or support the Stipulation. Such witnesses will be available for examination.

19. The Stipulation shall take effect on the date of the Commission's Order approving it and remain in effect until the date of a superseding Commission Order.

20. This Stipulation is an integrated whole, and any party may withdraw from it if this Stipulation is not approved in its entirety by the Commission.

IN WITNESS WHEREOF, the Parties have executed this Stipulation as of this day of June, 2002.

QUESTAR GAS COMPANY

JONATHAN M. DUKE

QUESTAR CORPORATION

GARY G. SACKETT
JONES, WALDO, HOLBROOK & McDONOUGH

DIVISION OF PUBLIC UTILITIES

MICHAEL GINSBERG
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COMMITTEE OF CONSUMER SERVICES

REED T. WARNICK
ASSISTANT ATTORNEY GENERAL

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CERTIFICATE OF SERVICE

I hereby certify that on this ___ day of June, 2002, a copy of the foregoing

STIPULATION were mailed, postage prepaid, or hand-delivered to:

TONI E. JACOBSEN

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